

## Message Text

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PAGE 01 OTTAWA 04331 01 OF 02 052223Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02

SS-15 STR-07 TRSE-00 ACDA-12 /130 W

-----118631 052236Z /13

P 052210Z SEP 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 8551

INFO AMCONSUL TORONTO

AMCONSUL CALGARY POUCH

LIMITED OFFICIAL USE SECTION 01 OF 02 OTTAWA 04331

DEPT. PASS DOE FOR BERGOLD AND GOLDMAN

DOE/FERC FOR SMITH AND ADGER

DEPT. PASS DEPARTMENT OF COMMERCE AND STR

E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: ALASKA GAS PIPELINE: PIPE TARIFFS

REF: PLACKE-BOSWORTH TELECONS

1. SUMMARY. ON BASIS OF U.S. STEEL REQUEST FOR USG INTERVENTION, AND WITH DEPARTMENT'S AUTHORIZATION, AMBASSADOR ON AUGUST 31 CONTACTED MITCHELL SHARP TO REQUEST HARMONIZATION OF U.S. AND CANADIAN TARIFFS ON STEEL PIPE FOR PURPOSE OF PIPE SUPPLY FOR ALASKA GAS PIPELINE. SHARP SAID HE WOULD ENTERTAIN REQUEST AND RESPOND AS SOON AS POSSIBLE. U.S. STEEL INFORMED DIRECTLY OF ACTION TAKEN AND IS APPRECIATIVE, WHILE RECOGNIZING SLIM POSSIBILITY GOC WILL GRANT REQUEST. END SUMMARY.

2. U.S. STEEL EXECUTIVES CALLED ON AMBASSADOR AUGUST 29

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PAGE 02 OTTAWA 04331 01 OF 02 052223Z

TO REQUEST USG ASSISTANCE IN HARMONIZING CANADIAN TARIFFS ON STEEL PIPE FOR ALASKA PIPELINE AT U.S. LEVEL. CALLERS WERE: ALBERT MONNETT, JR., VICE PRESIDENT, U.S. STEEL CORP.; DON SELBY, PRESIDENT U.S. STEEL INTERNATIONAL, AND NORMAN WILLIAMS, REGIONAL MANAGER FOR CANADA, U.S. STEEL INTERNATIONAL.

3. U.S. STEEL ARGUED THAT CANADA'S 15 PERCENT AD VALOREM TARIFF ON STEEL PIPE PUT U.S. BIDDERS ON PIPE TENDER AT SERIOUS, POSSIBLY DECISIVE, DISADVANTAGE. ON OTHER HAND, COMPARABLE U.S. TARIFF OF ABOUT ONE PERCENT POSED NO SIGNIFICANT OBSTACLE TO CANADIAN PIPE MAKERS WHO MAY BID ON U.S. PORTIONS OF PIPELINE. U.S. STEEL REPS SAID THAT IN KEEPING WITH JOINT NATURE OF PROJECT, U.S. AND CANADIAN FIRMS OUGHT TO ENJOY EQUAL OPPORTUNITY. MOREOVER, THEY SAID, MURRAY STEWART, EXECUTIVE VICE PRESIDENT OF FOOTHILLS PIPELINES, HAD ENCOURAGED THEM TO MAKE THIS APPROACH AND HAD INDICATED FOOTHILLS WOULD SUPPORT TARIFF HARMONIZATION IF ASKED FOR ITS VIEWS BY GOC. EXECUTIVES SAID THEY WERE AWARE THAT GOC WAS UNLIKELY READILY TO ACCEDE TO SUCH A REQUEST BUT HOPED EMBASSY WOULD MAKE DEMARCHE. EXECUTIVES ALSO EMPHASIZED TIME PRESSURE BECAUSE OF SEPTEMBER 18 BID DEADLINE AND SAID THEY WOULD CONSIDER, AT AMBASSADOR'S SUGGESTION, SUBMITTING TWO BIDS: ONE BASED ON PRESENT TARIFF AND A CONTINGENCY BID APPLICABLE IN EVENT OF TARIFF REDUCTION. AMBASSADOR AGREED TO PURSUE U.S. STEEL REQUEST BY CONSULTING DEPARTMENT FOR GUIDANCE ON BASIS ON WHICH SUCH APPROACH MIGHT BE MADE TO GOC, AND NOTED THAT PROSPECTS FOR CANADIAN AGREEMENT ALSO SEEMED SMALL FROM EMBASSY'S VIEWPOINT.

4. AMBASSADOR ORALLY AUTHORIZED AUGUST 31 TO PROCEED AND MADE DEMARCHE SEPTEMBER 1 TO NORTHERN GAS PIPELINE LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 04331 01 OF 02 052223Z

COMMISSIONER SHARP ALONG FOLLOWING LINES:

--OF THE ESTIMATED 1.5 MILLION TONS OF PIPE REQUIRED IN THE ALASKA GAS PIPELINE IN CANADA, 1 MILLION TONS ARE TO BE 56" DIAMETER, WHICH IS NOT PRODUCED BY U.S. MILLS.

--CANADIAN PIPE SUPPLIERS CAN EXPECT TO HAVE AN OPPORTUNITY TO BID ON SEGMENTS OF THE LINE IN ALASKA AND THE LOWER-48 STATES, WHERE THE QUANTITY OF PIPE WILL BE 1.5 MILLION TONS.

--AT SLIGHTLY LESS THAN 1 PERCENT, U.S. TARIFFS ARE NOT A SIGNIFICANT BARRIER TO BIDS FROM CANADA. HOWEVER, THE PRESENT CANADIAN TARIFF OF 15 PERCENT CONSTITUTES A SERIOUS OBSTACLE TO COMPETITIVE BIDS FROM INTERESTED U.S. SUPPLIERS.

--IN LINE WITH THE REQUIREMENT IN THE BILATERAL PIPELINE AGREEMENT (PARAGRAPH 7) FOR GENERALLY COMPETITIVE TERMS FOR SUPPLIES AND SERVICES, AND IN LIGHT OF THE AGREEMENT'S OBJECTIVE TO MAXIMIZE INDUSTRIAL BENEFITS IN EACH COUNTRY FROM THE PIPELINE, THE UNITED STATES REQUESTS THE CANADIAN GOVERNMENT TO HARMONIZE ITS TARIFF ON STEEL PIPE WITH THE

U.S. TARIFF LEVEL FOR PURPOSES OF THE NORTHERN GAS PIPELINE PROJECT.

--THE UNITED STATES REQUEST RELATES ONLY TO PIPE BUT IS MADE WITHOUT PREJUDICE TO POSSIBLE FUTURE REQUESTS OF A SIMILAR CHARACTER ON OTHER ITEMS. THE UNITED STATES ALSO RECOGNIZES THAT THE LOWER TARIFF IT SEEKS WOULD BE AVAILABLE TO OTHER COUNTRIES WITH WHICH CANADA HAS MOST-FAVORED-NATION TRADE AGREEMENTS.

5. SHARP SAID HE WOULD ENTERTAIN TARIFF HARMONIZATION REQUEST AND WOULD CONSULT WITH CONCERNED GOC AGENCIES.

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PAGE 01 OTTAWA 04331 02 OF 02 052224Z  
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LIMITED OFFICIAL USE SECTION 02 OF 02 OTTAWA 04331

ADDITIONAL BILATERAL DISCUSSION, TO INCLUDE DEPARTMENT OF FINANCE WHICH ADMINISTERS TARIFF CODE, MIGHT BE REQUIRED HOWEVER. SHARP SAID HE WOULD RESPOND FURTHER TO AMBASSADOR AS SOON AS POSSIBLE.

6. U.S. STEEL (MONNETT) INFORMED BY EMBASSY BY PHONE SEPTEMBER 1 OF AMBASSADOR'S APPROACH AND SHARP'S REPLY. MONNETT SAID HE WAS GRATIFIED AT PROMPT AND POSITIVE ACTION TAKEN, ALTHOUGH HE RECOGNIZED CHANCES OF SUCCESS WERE SLIM.

7. EMBASSY WILL CONTINUE TO KEEP WASHINGTON AGENCIES INFORMED. ENDERS

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## Message Attributes

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